

EXECUTIVE SECR. ARIAT
ROUTING SLIP

*Memo
Chrone*

TO: 1 DCI

		ACTION	INFO	DATE	INITIAL
1	DCI		X		
2	DDCI		X		
3	EXDIR				
4	D/ICS				
5	DDI	X			
6	DDA				
7	DDO				
8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt				
13	D/OLL				
14	D/PAO				
15	D/PERS				
16	VC/NIC				
17	D/OGI/DT		X		
18	ES		X		
19	C/S		X		
20	NIO/ECON		X		
21					
22					

SUSPENSE 27 Jun 86
Date

Remarks To 5: D/OGI to provide requested reaction to DCI's suggestion of what he wants and how it can be done, and in what time frame.

Executive Secretary
20 June 86
Date

Executive Registry

86- 2782

20 June 1986

MEMORANDUM FOR: Director of Global Issues, DI

FROM: Director of Central Intelligence

SUBJECT: Globalization of Financial Markets:
Implications, Vulnerabilities, and Opportunities

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1. Thanks for the report on Globalization of Financial Markets. I find it a very solid, innovative and useful piece of work and I would like to congratulate you, [redacted] and any others who worked on it. [redacted]

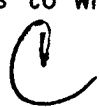
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2. It is not quite what I asked for although it makes a valuable contribution to the picture which we should develop. What I would like to see is a paper which clearly lays out the interplay between trade deficits, budget deficits, currency values, inflation, consumption methods, research and development, capital outlay levels, international debt levels, and the export of productive and technological capacity. This is a very big order. We have dealt with many of the components of this picture, breaking ground in some of them. What I asked for was some analysis of the interrelationships between these key elements and of the leverages and vulnerabilities these elements and relationships may create for various countries. What you gave me is a very good analysis of how the globalization of financial markets have livened up and loosened up the system so that the elemental forces I have cited above have in many ways become more powerful and more sensitively interrelated, but it does not get at the impact, the leverages, the vulnerabilities, the risks and potential benefits of trade and budget deficits, currency levels and investment flows, R & D and capital commitments, etc. [redacted]

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3. The best effort I have seen at this is in the James Fallows' article in the September 1985 Atlantic Monthly which I believe I previously brought to your attention. There is undoubtedly other work on this in the literature. I am asking Leo Cherne to give me his reaction to this and I also would like to turn to Alan Greenspan. I would first like to have your reaction as to where we can go from here. [redacted]

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William J. Casey

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